

**(3) Penalties**

**(A) In general**

In the case of any failure by any partnership to pay on the date prescribed therefor any amount required by subsection (a)(2) or (b)(1)(A), there is hereby imposed on such partnership a penalty of 10 percent of the underpayment. For purposes of the preceding sentence, the term “underpayment” means the excess of any payment required under this section over the amount (if any) paid on or before the date prescribed therefor.

**(B) Accuracy-related and fraud penalties made applicable**

For purposes of part II of subchapter A of chapter 68, any payment required by subsection (a)(2) shall be treated as an underpayment of tax.

**(d) Definitions and special rules**

For purposes of this section—

**(1) Partnership adjustment**

The term “partnership adjustment” means any adjustment in the amount of any partnership item of an electing large partnership.

**(2) When adjustment takes effect**

A partnership adjustment takes effect—

(A) in the case of an adjustment pursuant to the decision of a court in a proceeding brought under part II, when such decision becomes final,

(B) in the case of an adjustment pursuant to any administrative adjustment request under section 6251, when such adjustment is allowed by the Secretary, or

(C) in any other case, when such adjustment is made.

**(3) Adjusted year**

The term “adjusted year” means the partnership taxable year to which the item being adjusted relates.

**(4) Return due date**

The term “return due date” means, with respect to any taxable year, the date prescribed for filing the partnership return for such taxable year (determined without regard to extensions).

**(5) Adjustments involving changes in character**

Under regulations, appropriate adjustments in the application of this section shall be made for purposes of taking into account partnership adjustments which involve a change in the character of any item of income, gain, loss, or deduction.

**(e) Payments nondeductible**

No deduction shall be allowed under subtitle A for any payment required to be made by an electing large partnership under this section.

(Added Pub. L. 105-34, title XII, § 1222(a), Aug. 5, 1997, 111 Stat. 1010.)

PRIOR PROVISIONS

A prior section 6242, added Pub. L. 97-354, § 4(a), Oct. 19, 1982, 96 Stat. 1691, directed that shareholder’s return be consistent with corporate return, prior to repeal by

Pub. L. 104-188, title I, §§ 1307(c)(1), 1317(a), Aug. 20, 1996, 110 Stat. 1781, 1787, applicable to taxable years beginning after Dec. 31, 1996.

A prior section 6243, added Pub. L. 97-354, § 4(a), Oct. 19, 1982, 96 Stat. 1691, directed that shareholders be notified of proceedings and given opportunity to participate, prior to repeal by Pub. L. 104-188, title I, §§ 1307(c)(1), 1317(a), Aug. 20, 1996, 110 Stat. 1781, 1787, applicable to taxable years beginning after Dec. 31, 1996.

A prior section 6244, added Pub. L. 97-354, § 4(a), Oct. 19, 1982, 96 Stat. 1691, directed that certain provisions of subchapter C apply to subchapter S items, prior to repeal by Pub. L. 104-188, title I, §§ 1307(c)(1), 1317(a), Aug. 20, 1996, 110 Stat. 1781, 1787, applicable to taxable years beginning after Dec. 31, 1996.

PART II—PARTNERSHIP LEVEL ADJUSTMENTS

Subpart

- A. Adjustments by Secretary.
- B. Claims for adjustments by partnership.

SUBPART A—ADJUSTMENTS BY SECRETARY

Sec.

- 6245. Secretarial authority.
- 6246. Restrictions on partnership adjustments.
- 6247. Judicial review of partnership adjustment.
- 6248. Period of limitations for making adjustments.

**§ 6245. Secretarial authority**

**(a) General rule**

The Secretary is authorized and directed to make adjustments at the partnership level in any partnership item to the extent necessary to have such item be treated in the manner required.

**(b) Notice of partnership adjustment**

**(1) In general**

If the Secretary determines that a partnership adjustment is required, the Secretary is authorized to send notice of such adjustment to the partnership by certified mail or registered mail. Such notice shall be sufficient if mailed to the partnership at its last known address even if the partnership has terminated its existence.

**(2) Further notices restricted**

If the Secretary mails a notice of a partnership adjustment to any partnership for any partnership taxable year and the partnership files a petition under section 6247 with respect to such notice, in the absence of a showing of fraud, malfeasance, or misrepresentation of a material fact, the Secretary shall not mail another such notice to such partnership with respect to such taxable year.

**(3) Authority to rescind notice with partnership consent**

The Secretary may, with the consent of the partnership, rescind any notice of a partnership adjustment mailed to such partnership. Any notice so rescinded shall not be treated as a notice of a partnership adjustment, for purposes of this section, section 6246, and section 6247, and the taxpayer shall have no right to bring a proceeding under section 6247 with respect to such notice. Nothing in this subsection shall affect any suspension of the running of any period of limitations during any